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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

February 23, 1998

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Ms. Magalie Roman Salas, Secretary
Federal Communications Commission
1919 M Street, N.W. – Room 222
Washington, D.C. 20554

Re: Ex Parte, CC Docket No. 95-116, Telephone Number Portability

Dear Ms. Roman Salas:

On February 22, 1998 I was contacted by Patrick Donovan, Deputy Chief of the Common Carrier Bureau's Competitive Pricing Division, to discuss a proposal for the recovery of costs associated with the implementation of telephone number portability. All aspects of this proposal are the subject of the Commission's above-referenced proceeding.

The proposal outlined by Mr. Donovan called for the assignment of all Type I and Type II implementation costs to the interstate jurisdiction. Type 1 costs would be pooled and allocated among all NPAC/SMS users based on retail revenues. Each carrier would bear the responsibility for recovering its own Type II costs. Recovery of Type II costs by incumbent LECs ("ILECs") would be permitted via a flat rate end user surcharge levied on business and residence lines during a period not to exceed five years. The business end-user surcharge could be instituted as early as March 31, 1998 coincident with the completion of Phase I of the Commission's number portability implementation schedule. Residence end-user surcharges could be assessed as soon as 5 percent of the residence lines within a metropolitan statistical area ("MSA") had ported their telephone number to an alternate carrier or beginning January 1, 2001; whichever comes first. ILECs would be allowed to earn an 11.25 percent return on that portion of the costs associated with implementing number portability for residence lines which is deferred until the 5 percent threshold is achieved within an MSA or the January 1, 2001 date is reached.

AT&T has long advocated that each carrier bear its own implementation costs and thus supports this aspect of the proposal. This will provide appropriate incentives for

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efficiency and will prove fair to incumbents and competitive local exchange carriers alike. More importantly, the proposal would preclude the ILECs from recovering these costs through charges to other carriers for bottleneck services (e.g., access charges). AT&T believes two aspects of the proposal require clarification, however. First, while AT&T continues to believe the use of NPAC/SMS rate elements is a more appropriate manner in which to recover Type I costs, an alternative method is an allocator based on gross telecommunications revenues *less* expenditures for all telecommunciations services and facilities that have been paid to other telecommunications carriers[1]. Second, AT&T believes the "carrying charge" (11.25%) for the recovery of costs deferred according to the proposals porting threshold or maximum deferral date is excessive. A more appropriate rate would be approximately ten percent.[2]

Two copies of this Notice are being submitted to the Secretary of the FCC in accordance with the Section 1.1206 (a)(2) of the Commission's rules.

Sincerely,

cc: P. Donovan

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[1] First Report and Order and FNPRM, Telephone Number Portability, CC Docket No. 95-116, FCC 96-286, Released July 2, 1996, paragraph 213.

[2] See, e.g., AT&T ex parte filed December 11, 1997, Federal-State Board On Universal Service, CC Docket No. 96-45, Hatfield Model Release 5.0, Model Description, p. 60 (deriving cost of capital of 10.01%).